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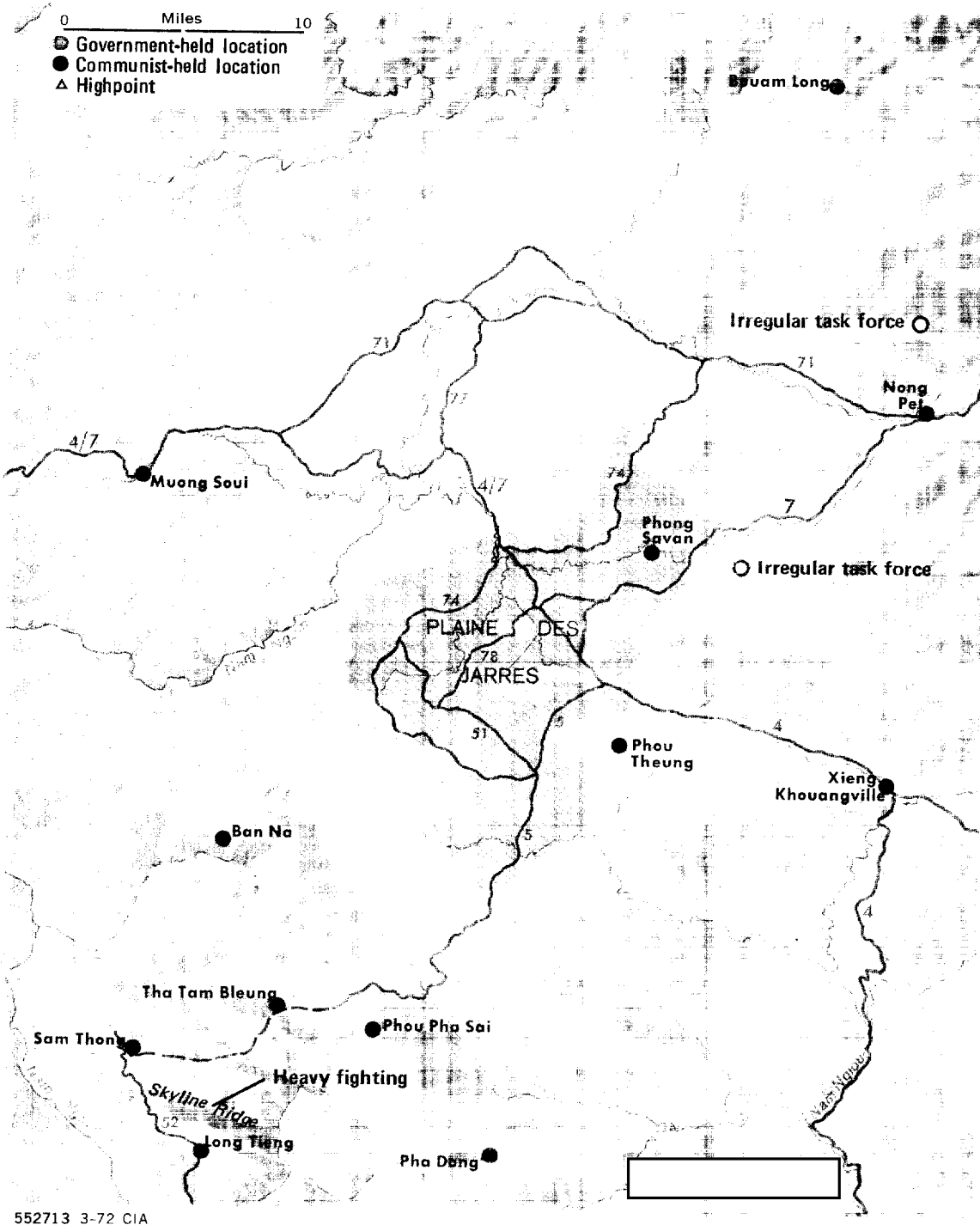
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LAOS: PLAINE DES JARRES AREA



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LAOS: North Vietnamese and government forces continue to struggle for control of Skyline Ridge.

Irregulars temporarily reoccupied two positions on the western end of the ridge on 22 March but were forced back by enemy mortar and artillery fire. Government artillery fire and air strikes forced the Communists to withdraw from their positions on the center of the ridge, but these have not been reoccupied by the irregulars.

Over 600 fresh government reinforcements arrived in Long Tieng on 22 March. This force should bolster the morale of the irregulars defending the base and increase Vang Pao's flexibility in organizing his defenses and launching counterattacks. Some 550 troops have also arrived from the Sam Thong area, but many of these presumably will need some rest before returning to combat.

To the east, advance elements of one of Vang Pao's task forces are about three miles from Phong Savan, once a major enemy storage area. Elements from the other force have reached the high ground overlooking Nong Pet, at the junction of two important Communist supply roads.

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SOUTH VIETNAM: Defense Minister Vy may be replaced as a result of a scandal involving the alleged mismanagement of a military savings fund.

Several senior Defense Ministry officials already have been relieved of duty pending completion of an investigation by Vice President Huong, the administration's chief anti-corruption campaigner. Charges that top Defense Ministry officials were diverting money for their personal use prompted President Thieu to order the investigation; he also has halted compulsory contributions to the savings fund by all military personnel.

25X1 The scandal clearly has embarrassed Vy and, although the government has denied press reports that the defense minister has submitted his resignation, he could be removed as part of Thieu's long anticipated cabinet reshuffle. Thieu may delay a decision for some time.

[REDACTED]

25X1 The President heretofore has been reluctant to challenge powerful officials, particularly in the military, who are involved in illegal activities. Although considerable publicity has been given to Huong's calls in recent months for an end to specific corrupt practices and the replacement of several particularly notorious province chiefs and military commanders, both government critics and corrupt officials will remain unconvinced unless prominent heads roll.

[REDACTED]

[REDACTED]

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CYPRUS: The Cypriot bishops have repeated their request that Archbishop Makarios resign as president, according to press reports. The bishops rejected the archbishop's contention that his resignation could lead to a "national disaster." Because the bishops never before have been so steadfast in opposing Makarios, Athens presumably is behind them. Although Makarios told the bishops he would step down if they insisted, he left himself an out by implying that other considerations may prevent him from doing so. Makarios' most likely course now is to appeal for public support in an attempt to show that the populace will not permit him to resign. The police in Limassol, a city in southern Cyprus where two of the bishops are staying, are on full alert in anticipation of mass demonstrations, and the threat of violence on the island again is increasing. [REDACTED]

* [REDACTED]

JAPAN: Government leaders are predicting that the economy will begin moving out of its 18-month slowdown around mid-year, but business leaders expect no significant improvement until fall. The business community's pessimism stems in part from concern that the uncertain international monetary situation will slow export growth sharply in the next month or so. The government's most recent economic report shows that industrial production and factory shipments are stagnant. The only bright spot has been an upsurge in construction work as a result of increased government spending on public facilities. Even if the government's expectations of a recovery by mid-year prove correct, the rate of economic growth this year probably will not appreciably exceed the six percent registered in 1971. [REDACTED]

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SWEDEN: The government's 1973 military appropriations bill, presented to parliament on 21 March, has been called inadequate by Swedish military leaders. The new proposal envisions roughly the same allocation of resources, \$1.4 billion, as the current budget but fails to reflect budgeting against rising production costs and automatic salary increases for service personnel. The government hopes to maintain high standards in equipment and materiel at the expense of conscript service, which would be cut an average of two months. While the opposition parties may introduce counterproposals, public sentiment, which seeks relief from the already heavy tax burden, is believed to favor reduced military spending. Some lackluster debate is anticipated before the opposition parties agree to the government proposal.

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NATIONAL INTELLIGENCE ESTIMATE

The United States Intelligence Board on 21 March 1972 approved the following national intelligence estimate:

NIE 56-72 "The Political Outlook in the Philippines"

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